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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NEA-10 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-05
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 /060 W
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FM AMEMBASSY BRUSSELS
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INFO SECSTATE WASHDC 3665

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USEEC

E.O.11652: N/A
TAGS: EEC, CE, ETRD, EIND
SUBJECT: SRI LANKA'S TEXTILE NEGOTIATIONS WITH EC

REF: (A) COLOMBO 3867, (B) COLOMBO 4456, (C) COLOMBO 4676

1. AS REGARDS REQUEST PARA 15, REF C, EC COMMISSION OFFICIALS HAVE INFORMED MISSION OFFICER THAT ON DECEMBER 1 COMMISSION AND SRI LANKA INITIALED AGREEMENT REGARDING "ECONOMIC PROVISIONS" (I.E., QUOTA LEVELS) OF OVERALL PACKAGE COVERING FUTURE SRI LANKA TEXTILE EXPORTS TO COMMUNITY. COMMISSION AND SRI LANKA MISSION EXPECT THAT REMAINING SECTIONS OF PACKAGE--THESE INCLUDE MAINLY "JURIDICAL" PROVISIONS, SUCH AS PRODUCT CATEGORY DEFINITIONS, ETC.--WILL BE AGREED WEEK OF DECEMBER 12.

2. ACCORDING TO COMMISSION OFFICIALS, AGREEMENT ON ECONOMIC CONTENT IS MOST IMPORTANT ASPECT OF NEGOTIATIONS BECAUSE IT COVERS SPECIFICATION OF BASE AMOUNTS AND PERMISSIBLE ANNUAL GROWTH LEVELS FOR INDIVIDUAL PRODUCTS. SRI LANKAN MISSION OFFICIAL TOLD US, IN THIS LIMITED OFFICIAL USE

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REGARD, THAT HIS GOVERNMENT ACCEPTED A QUOTA WHICH AMOUNTS TO "ONLY SLIGHTLY MORE" THAN SRI LANKA EXPORTED TO EC-9 IN 1976/77, ALTHOUGH THIS FINAL QUOTA IS CONSIDERABLY ABOVE THE EC'S ORIGINAL OFFER. SRI LANKA OFFICIAL SAID HIS GOVERNMENT HAD ARGUED THAT SRI LANKA'S 1976/77 EXPORTS TO COMMUNITY WERE IRRELEVANT TO QUOTAS FOR FUTURE YEARS, SINCE SRI LANKA HAS DNLY JUST BEGUN

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TO DEVELOP A PRECARIOUS TOE-HOLD IN WEST EUROPEAN MARKET. HE FURTHER SAID THAT WHILE GSL CONSIDERS QUOTA FINALLY AGREED TO BE AN "UNREASONABLE" LIMITATION ON SRI LANKA'S DOMESTIC TEXTILE INDUSTRY, THE GSL FELT THAT GIVEN THE COMMISSION NEGOTIATING POSTURE, IT HAD LITTLE CHOICE BUT TO ACCEPT. PARTICULARLY NOISOME TO GSL IS THAT EC LIST OF ESPECIALLY SENSITIVE PRODUCTS INCLUDES BLOUSES AND MEN'S AND WOMEN'S SLACKS, PRECISELY THE PRODUCT CATEGORIES OF PRIMARY INTEREST TO SRI LANKAN TEXTILE PRODUCERS. AS A CONSEQUENCE, ACCORDING TO SRI LANKA OFFICIAL, IT APPEARS THAT SRI LANKA PRODUCERS WILL BE FORCED TO DIVERSIFY INTO OTHER PRODUCT LINES NOT CONSIDERED SENSITIVE BY THE EC--INCLUDING HIGHLY SPECIALIZED GARMETS--WHICH MAY BE LESS ADVANTAGEOUS TO THEM.

3. CONCERNING PARA 6, REF B, LOCAL SRI LANKA MISSION OFFICIALS ACKNOWLEDGED TO MISSION OFFICER THAT AT THE OUTSET OF EC-SRI LANKA NEGOTIATIONS GSL MINISTERS OF TRADE, FOREIGN AFFAIRS, AND TEXTILES MADE A SWING THROUGH VARIOUS EC CAPITALS, INCLUDING PARIS, BONN, LONDON AND BRUSSELS, TO LOBBY IN FAVOR OF MORE PERMISSIVE EC TREATMENT OF SRI LANKAN TEXTILE EXPORTS. THIS EFFORT REPORTEDLY PAID DIVIDENDS, ESPECIALLY WITH REGARD TO FRG ATTITUDE. TRAN VAN THINH (LEADER OF EC COMMISSION TEXTILE NEGOTIATING TEAM) TOLD MISSION OFFICER THAT LIMITED OFFICIAL USE

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SRI LANKAN MINISTER OF LABOR (WHOM HE IDENTIFIED AS "FUTURE PRIME MINISTER") HAD SUCCESSFULLY ACTIVATED SIGNIFICANT LABOR SUPPORT FOR SRI LANKAN POSITION IN SEVERAL MEMBER STATES, INCLUDING UK, AND HAD ALSO WON SUPPORT OF EC COMMISSION VICE PRESIDENT (EXTERNAL RELATIONS) HAFERKAMP, WHO IS FORMER GERMAN LABOR UNION LEADER, FOR MORE GENEROUS TREATMENT FOR SRI LANKA ON TEXTILE QUOTAS. HAFERKAMP AT ONE POINT INSTRUCTED EC TEXTILE NEGOTIATORS TO OFFER LARGER QUOTAS TO SRI LANKA, IF NECESSARY BY CUTTING INTO COMMUNITY OFFERS TO HONG KONG AND SOUTH KOREA. TRAN STATED THAT SRI LANKA WAS THEN OFFERED QUOTAS "TEN TIMES LARGER" THAN COMMUNITY HAD BEEN CONSIDERING OFFERING UP TO THAT POINT. (THS POINT WAS CONFIRMED INDIRECTLY BY SRI LANKA MISSION OFFICER, WHO REFERRED TO "RIDICULUS" OFFER ORIGINALLY MADE BY EC AND WHICH, HE SAID, GSL HAD NO INTENTION OF ACCEPTING.)

4. SRI LANKAN AGREEMENT IS PART OF PACKAGE OF BI-LATERAL TEXTILE AGREEMENTS WHICH WILL BE PRESENTED TO EC COUNCIL ON DEC. 19-20 FOR MEMBER STATE APPROVAL. ONLY THEN WILL EC BE IN POSITION TO RENEW

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MULTIFIBER AGREEMENT. MISSION WILL INCLUDE COLOMBO
AS ADDRESSEE IN FURTHER RELEVANT REPORTING ON THIS
SUBJECT. HINTON

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